

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 12, 2004

IN RE:)	
)	
PETITION OF ADELPHIA BUSINESS SOLUTIONS, INC.,)	DOCKET NO.
ADELPHIA BUSINESS SOLUTIONS INVESTMENT, LLC,)	04-00168
ADELPHIA BUSINESS SOLUTIONS ATLANTIC, INC. AND)	
ADELPHIA BUSINESS SOLUTIONS OPERATION, INC.)	
(ALL D/B/A TELCOVE) FOR APPROVAL TO ISSUE DEBT)	

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this Docket, at the regularly scheduled Authority Conference held on June 21, 2004 to consider the *Petition of Adelpia Business Solutions, Inc , Adelpia Business Solutions Investment, LLC, Adelpia Business Solutions Atlantic, Inc , and Adelpia Business Solutions Operation, Inc (All d/b/a TelCove) for Approval to Issue Debt ("Petition")*.

Statutory Framework

Tenn. Code Ann. § 65-4-109 states that

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

Pursuant to this statutory authority, the TRA must determine whether the proposed financing transactions are in accordance with law and the stated purpose meets with the TRA's approval.

The Petition

In the *Petition*, filed with the TRA on June 10, 2004, Petitioners sought authorization, pursuant to Tenn. Code Ann. § 65-4-109, to enter into a revolving credit arrangement of not more than \$45 million. The revolving credit arrangement will be collateralized by the assets, stock, and interest of the state level operating subsidiaries, including the subsidiaries certificated in Tennessee - Adelphia Business Solutions of Nashville, L.P. and Adelphia Business Solutions Operations, Inc. – but the subsidiaries will not carry the debt on their books or pay any of the related interest expense. The proceeds of these transactions will be used to improve the Company's working capital position during its emergence from bankruptcy and for other general corporate purposes. Petitioners propose to benefit competition in Tennessee by enhancing the financial strength of the Company, thereby allowing the Company to offer a broader range of products and services.

The June 21, 2004 Authority Conference

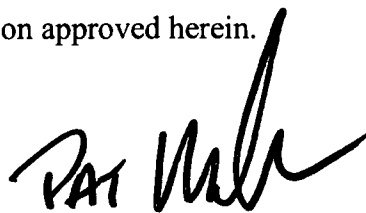
At the June 21, 2004 Authority Conference, the Directors recognized the authority of the TRA to consider the impact of these financing transactions on the subsidiaries certificated and providing services in the State of Tennessee and voted unanimously to approve the financing transactions,¹ based upon a finding of compliance with the requirements of Tenn. Code Ann. § 65-4-109 that the proposed financing transactions are in compliance with Tennessee laws over which the TRA has authority and are to be used for a proper purpose.

¹ In the past, the TRA has declined to consider financing transaction filed pursuant to Tenn Code Ann § 65-4-109, relying on Tenn Op. Atty Gen. No. 99-119, which states "Depending on the specific facts presented, state regulation appears to be proscribed, especially if the facts are such that the application of the state regulation may create a cumulative burden for the utility based on its having similar operations in many states."

IT IS THEREFORE ORDERED THAT:

1. TelCove is authorized to enter into the financing transactions as described in the *Petition* and discussed herein.

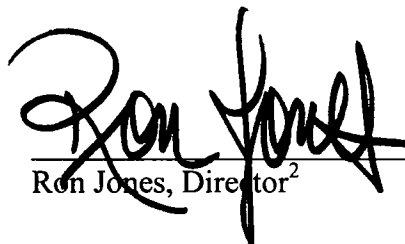
2. The authorization given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring that an analysis or assessment of the risk involved to a purchaser has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.



Pat Miller, Director



Sara Kyle, Director



Ron Jones, Director²

² Consistent with his comments in TRA Docket No. 04-00051, the vote of Director Jones is based on the following grounds (1) he could not find any federal regulation that prevented the Authority from reviewing this transaction, (2) Petitioners have stated that federal approval is not required and that other states do require approval, (3) Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace, which includes obtaining information on the financial transactions and fitness of companies certificated to provide service in Tennessee, and (4) the burden of compliance with Tenn Code Ann § 65-4-109 is minimal, as such compliance should be perfunctory given the telecommunications industry's movement to a competitive environment